

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE

45 Fremont Street, 21st Floor
San Francisco, California 94105

NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING

File No. RH03028607

Notice Date: April 2, 2003

Proposed Revisions to the Insurance Commissioner's Regulations pertaining to Statistical Reporting and Experience Rating; and the Approval of Advisory Pure Premium Rates to be effective July 1, 2003.

SUBJECT OF HEARING

Notice is hereby given that the insurance commissioner will hold a public hearing to consider (1) the approval of advisory pure premium rates developed by the designated rating organization; (2) amendments to the California Workers' Compensation Uniform Statistical Reporting Plan-1995, and (3) amendments to the California Workers' Compensation Experience Rating Plan-1995. The hearing will be held in response to a filing, submitted on April 2, 2003, by the Workers' Compensation Insurance Rating Bureau of California ("WCIRB").

AUTHORITY AND REFERENCE

Uniform Plans and Regulations

The workers' compensation statistical reporting regulations are set forth in Title 10, California Code of Regulations, Section 2318.6. The workers' compensation experience rating regulations are set forth in Title 10, California Code of Regulations, Section 2353.1. The regulations were promulgated by the insurance commissioner pursuant to the authority granted by Insurance Code Section 11734.

Pure Premium Rates

Pursuant to Insurance Code Section 11750.3, a rating organization is permitted to develop pure premium rates for submission to the insurance commissioner for issuance or approval. The Insurance Code provisions regarding State rate supervision operative January 1, 1995 do not authorize the insurance commissioner to require insurers to use the pure premium rates submitted by the designated rating organization and issued or approved by the insurance commissioner. Accordingly, the pure premium rates issued or approved by the insurance commissioner are advisory only.

Advisory Rating Plans

Pursuant to Insurance Code Sections 11750.3(a) and 11750.3(c), a licensed rating organization may promulgate advisory plans in connection with pure premium rates and the administration of classification and rating systems and present them to the insurance commissioner for review.

HEARING DATE AND LOCATION

A public hearing will be held to permit all interested persons the opportunity to present statements or arguments, orally or in writing, with respect to the matters proposed in the WCIRB's filing, at the following date, time and place:

**May 8, 2003 – 10:00AM
22nd Floor Hearing Room
45 Fremont Street
San Francisco, California**

INFORMATIVE DIGEST

Pursuant to Insurance Code Sections 11734 and 11751.5, the insurance commissioner has designated the WCIRB as his rating organization and statistical agent. As the designated rating organization and statistical agent, the WCIRB has developed and submitted for the insurance commissioner's approval pure premium rates and revisions to the California Workers' Compensation Uniform Statistical Reporting Plan–1995 and the California Workers' Compensation Experience Rating Plan–1995. The pure premium rates will be advisory only; however, adherence to the regulations contained in the California Workers' Compensation Uniform Statistical Reporting Plan–1995 and the California Workers' Compensation Experience Rating Plan–1995 is mandatory.

The pure premium rates recommended by the WCIRB to be effective July 1, 2003, as well as amendments to the California Workers' Compensation Uniform Statistical Reporting Plan–1995, and the California Workers' Compensation Experience Rating Plan–1995, are detailed in the WCIRB's filing letter and summarized below.

APPROVE PURE PREMIUM RATES

Pursuant to California Insurance Code Section 11750.3, the WCIRB has proposed advisory pure premium rates for approval by the insurance commissioner to be effective July 1, 2003 with respect to new and renewal policies with anniversary rating dates on or after July 1, 2003. The proposed advisory pure premium rates are 10.6% greater than the January 1, 2003 advisory pure premium rates approved by the insurance commissioner.

The proposed pure premium rate change is based on (1) insurer losses incurred during 2002 and prior accident years valued as of December 31, 2002, (2) insurer loss adjustment expenses for 2001 and prior years and (3) except as noted, the same methodologies

underlying the approved January 1, 2003 advisory pure premium rates.

AMEND THE CALIFORNIA WORKERS' COMPENSATION UNIFORM STATISTICAL REPORTING PLAN-1995

The WCIRB recommends that the following revisions be approved with respect to new and renewal policies with a required unit statistical first report date of valuation on or after July 1, 2003:

- Amend to specify that premium charges arising from the Terrorism Risk Insurance Act of 2002 are not included in the final premium reported on unit statistical reports.
- Amend to add Code 96 as a code for Terrorism losses.

AMEND CALIFORNIA WORKERS' COMPENSATION EXPERIENCE RATING PLAN-1995

The WCIRB recommends the following revisions to the California Workers' Compensation Experience Rating Plan-1995 to become effective July 1, 2003:

- Amend to specify that all premium charges arising from the Terrorism Risk Insurance Act of 2002 are excluded from the definitions of Premium.
- Amend to adjust the eligibility requirement from \$33,200 to \$36,719 to reflect the changes in pure premium rates that have occurred since the eligibility requirement was last amended.
- Amend to specify that all certified losses arising from the Terrorism Risk Insurance Act of 2002 shall not be listed as a loss for experience rating purposes.
- Amend to specify that all certified claims arising from the Terrorism Risk Insurance Act of 2002 shall not be reflected in the computation of an experience modification.

COST OR SAVINGS AND MANDATE TO LOCAL AGENCIES AND SCHOOL DISTRICTS

The insurance commissioner has determined that there will not be a cost increase and there will not be any new programs mandated on any local agency or school district as a result of the proposed regulations, if adopted as proposed herein.

IMPACT ON HOUSING COSTS

The insurance commissioner has determined that the proposed regulations will not have a significant effect on housing costs.

IMPACT ON SMALL BUSINESSES

The insurance commissioner has determined that the proposed regulations will not have a significant effect on small businesses, since the proposed regulations are advisory only.

COST IMPACT ON PRIVATE PERSONS OR ENTITIES

The insurance commissioner must determine the potential cost impact of the proposed regulations on private persons or businesses directly affected by the proposal. At this time, the insurance commissioner expects that the proposed regulations will not have a significant effect on private persons or entities since the proposed regulations are advisory only.

FEDERAL FUNDING TO THE STATE

The matters proposed herein will not affect any federal funding.

NON-DISCRETIONARY COSTS OR SAVINGS

The proposed regulations will not impose any non-discretionary costs or savings to local agencies.

COST OR SAVINGS TO STATE AGENCIES

The matters proposed herein will not result in any cost or savings to State agencies, except for the State Compensation Insurance Fund.

REIMBURSABLE COSTS

There are no costs to local agencies or school districts for which Part 7 (commencing with Section 17500) of Division 4 of the Government Code would require reimbursement.

COMPARABLE FEDERAL LAW

There are no existing federal regulations or statutes comparable to the proposed regulations.

ACCESS TO HEARING ROOMS

The facility to be used for the public hearing is accessible to persons with mobility impairment. Persons with sight or hearing impairments are requested to notify the contact person for these hearings (listed below) in order to make special arrangements, if necessary.

PRESENTATION OF ORAL AND/OR WRITTEN COMMENTS

All persons are invited to submit written comments to the insurance commissioner prior to the public hearing on the proposed amendments contained in the WCIRB's filing. Such comments should be addressed to:

California Department of Insurance
Attention: Larry C. White, Senior Staff Counsel
45 Fremont Street, 24th Floor
San Francisco, California 94105
(415) 538-4423

Any interested person may present oral and/or written testimony at the scheduled public hearing. Written comments and oral testimony will be given equal weight in the insurance commissioner's deliberations.

DEADLINE FOR WRITTEN COMMENTS

All written material, unless submitted at the hearing, must be received by the insurance commissioner at the address listed above no later than 5:00 PM on May 9, 2003.

TEXT OF REGULATIONS AND STATEMENT OF REASONS AVAILABLE

The insurance commissioner has prepared an Initial Statement of Reasons for the proposed regulations, in addition to the informative digest included in this Notice of Proposed Action and Notice of Public Hearing. The express terms of the proposed regulations as contained in the WCIRB's filing, the Notice of Proposed Action and Notice of Public Hearing and the Initial Statement of Reasons will be made available for inspection or provided without charge upon written request to the contact person for these hearings (listed above). The filing may also be accessed on the WCIRB's website at www.wcirbonline.org in the "WCIRB Wire" section, {INSERT DATE} dateline.

ACCESS TO RULE MAKING FILE, CONTACT

Any interested person may inspect a copy of or direct questions about the proposed regulations or other matters relative to this filing, the statement of reasons thereof, and any supplemental information contained in the rule-making file upon application to the contact

person (listed above). The rule-making file will be available for inspection at 45 Fremont Street, 22nd Floor, San Francisco, California 94105, between the hours of 9:00 AM and 4:30 PM, Monday through Friday.

AUTOMATIC MAILING

A copy of this Notice, including the informative digest that contains the general substance of the proposed regulations, automatically will be sent to all persons on the insurance commissioner's Bulletins and Rulings, and California Government Code mailing lists.

ADOPTION OF REGULATIONS

Following the hearing, the insurance commissioner may adopt or approve regulations substantially as described in this Notice and informative digest or he may adopt or approve modified regulations. He also may refuse to adopt or approve the regulations. Notice of the insurance commissioner's action will be sent to all persons on the insurance commissioner's Bulletins and Rulings mailing list and to those persons who have otherwise requested notice of the commissioner's action.

Dated: April 2, 2003

JOHN GARAMENDI
Insurance Commissioner

By _____
Larry C. White
Senior Staff Counsel